

Message Text

UNCLASSIFIED

PAGE 01 STATE 160197
ORIGIN EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 ISO-00 DOE-15 SOE-02
COME-00 AID-05 CEA-01 CIAE-00 DODE-00 H-02 INR-10
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-20
OES-07 SP-02 SS-15 STR-07 TRSE-00 ACDA-12 SIG-03
/167 R

DRAFTED BY EB/ORF/FSE:JCTODD,EW, PKBULLEN
APPROVED BY EB/ORF/FSE:DFHART
EA/J:CMACDONALD
EA/TIMBS:ECHEKY
DOE/IA:RSWANBY
COMMERCE:CHETTINGER
ARA/ECP:JHENNEKE

-----029605 231634Z /43

R 231506Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA
AMEMBASSY TOKYO
INFO AMEMBASSY MEXICO
AMEMBASSY OTTAWA
AMEMBASSY QUITO
AMEMBASSY CARACAS
AMCONSUL CURACAO
AMEMBASSY NASSAU
AMEMBASSY PORT OF SPAIN
AMCONSUL CALGARY
AMEMBASSY TAIPEI
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE

UNCLAS STATE 160197

E.O. 11652: N/A

TAGS: ENRG, US
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 160197

SUBJECT: MEASURES TO STIMULATE WEST COAST CRUDE PRODUCTION

REF: STATE 129825, STATE 147329 (BOTH NOTAL)

1. DEPARTMENT OF ENERGY (DOE) ANNOUNCED JUNE 15 NEW REGU-
LATIONS AND ADMINISTRATIVE ACTIONS INTENDED TO INCREASE IN-

CENTIVES FOR PRODUCERS TO MAINTAIN PRODUCTION OF HEAVY, HIGH SULFUR CRUDE OIL IN CALIFORNIA. THE DOE MEASURES DO NOT INCLUDE PERMITTING EXPORT OF CRUDE OIL, NOR DO THEY INVOLVE LIMITATIONS ON IMPORTS OF INDONESIAN CRUDE INTO THE WEST COAST.

2. THE ANNOUNCED MEASURES INCLUDE FURTHER ENTITLEMENT RELIEF FOR CALIFORNIA CRUDE, EXTENDING BENEFITS SIMILAR TO THOSE PROVIDED TO LOWER TIER OIL IN DECEMBER TO UPPER TIER OIL. A PROGRAM WILL ALSO BE IMPLEMENTED TO PROVIDE ECONOMIC INCENTIVES FOR THE TRANSPORTATION OF CALIFORNIA OIL TO REFINERIES OUTSIDE THAT STATE. FINALLY, THE DEPARTMENT OF COMMERCE WILL ESTABLISH A POLICY THAT WILL TEMPORARILY ALLOW INCREASES IN THE EXPORT OF RESIDUAL FUEL OILS REFINED ON THE WEST COAST IN ORDER TO ALLOW REFINERS TO INCREASE THEIR CRUDE OIL RUNS AND THEIR OUTPUT OF GASOLINE AND OTHER LIGHT PRODUCTS.

3. REGARDING POSSIBLE EXPORT OF CRUDE OIL, DOE ANNOUNCEMENT STATED "ONE OPTION THAT WAS ADVOCATED BY MANY PRODUCERS WAS TO ALLOW THE EXPORT OF THIS CRUDE OIL TO JAPAN OR THE BAHAMAS. THE VOLUMES INVOLVED IN TWO APPLICATIONS SUBMITTED TO DATE COULD EVENTUALLY REACH 22,000 B/D. DOE HAS REJECTED THE EXPORT OPTION PRINCIPALLY BECAUSE OF THE UNFAVORABLE PRECEDENT IT WOULD ESTABLISH. ONCE OIL IS EXPORTED ON A REGULAR BASIS, IT UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 160197

WOULD BE DIFFICULT TO LATER REVERSE THAT POLICY. CONTINUED EXPORTS WOULD RELIEVE PRESSURE ON CALIFORNIA REFINERS TO WORK TOWARD THE ULTIMATE LONG-TERM SOLUTION, WHICH IS TO CONVERT THE CALIFORNIA REFINERIES TO PROCESS MORE HEAVY CRUDE OIL AND INVEST IN NECESSARY LONG-TERM TRANSPORTATION SYSTEMS TO MOVE ALASKAN AND OTHER WEST COAST OIL TO INTERIOR REGIONS OF THE U.S."

4. AT THE SAME TIME, DOE ANNOUNCED PROPOSED CHANGES IN ENTITLEMENTS PROGRAM AFFECTING IMPORT OF RESIDUAL FUEL OIL; THESE WILL BE SUBJECT OF PUBLIC HEARING BEFORE COMING INTO EFFECT. PROPOSED RULES WOULD INCREASE SUBSIDY FOR IMPORT OF RESID TO EAST COAST FROM PRESENT 30 PERCENT OF ENTITLEMENT TO FULL ENTITLEMENT VALUE, AND EXTEND THIS PROVISION TO IMPORTS INTO MICHIGAN, WHICH ALSO DEPENDS ON RESID IMPORTS. REVERSE ENTITLEMENTS PROGRAM (UNDER WHICH A U.S. GULF REFINER SHIPPING MORE THAN 5,000 B/D OF RESID TO EAST COAST MUST PAY HALF AN ENTITLEMENT) WOULD BE ELIMINATED. SPECIAL PROVISIONS AFFECTING THE VIRGIN ISLANDS WOULD BE INSTITUTED IN ORDER TO PLACE THE AMERADA HESS REFINERY THERE IN AN APPROXIMATELY EQUAL COMPETITIVE POSITION RELATIVE TO OTHER REFINERS MARKETING

RESID ON EAST COAST. PROPOSED CHANGES ARE DESIGNED TO
RAISE COMPOSITE ENTITLEMENTS BENEFIT TO EAST COAST AND
MICHIGAN TO ABOUT NATIONAL AVERAGE. COPY OF PROPOSED
RULEMAKING BEING FORWARDED TO CARIBBEAN ADDRESSEE POSTS.

5. HEARINGS ON THE RESID IMPORT RULES OUTLINED IN PARA 4
ABOVE WILL BE HELD IN WASHINGTON JULY 26-27. REQUESTS
TO SPEAK MUST BE RECEIVED BY JULY 17, AND WRITTEN COMMENTS
BY AUGUST 25. IF APPROVED, THE PROPOSED RULEMAKING WILL
BE EFFECTIVE FOR FUEL OIL IMPORTED IN JULY (ENTITLEMENTS
OBLIGATIONS ARE SETTLED 60 DAYS AFTER THE END OF THE
MONTH OF IMPORT). VANCE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, PETROLEUM, INDUSTRIAL DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE160197
Document Source: CORE
Document Unique ID: 00
Drafter: JCTODD,EW, PKBULLEN
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780262-0661
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780625/aaaaavhz.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1871a182-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 129825, 78 STATE 147329
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2224590
Secure: OPEN
Status: NATIVE
Subject: MEASURES TO STIMULATE WEST COAST CRUDE PRODUCTION
TAGS: ENRG, US
To: JAKARTA TOKYO
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1871a182-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014